

DEVELOPED COUNTRIES

Macroeconomic outlook

Data as of 28/10/2021								
Annual averages (%)	Real GDP growth %				Inflation (CPI, yoy, %)			
	2020	2021	2022	2023	2020	2021	2022	2023
World	-3.3	5.8	3.9	3.4	2.6	3.7	3.9	3.3
Developed countries	-5.1	5.0	3.5	2.0	0.8	2.9	2.8	2.1
US	-3.4	5.7	3.3	2.1	1.3	4.4	3.7	2.8
Japan	-4.9	2.4	2.6	0.9	0.3	-0.4	0.6	0.6
UK	-9.7	6.9	4.6	2.4	0.9	2.4	3.7	2.5
Eurozone	-6.5	4.9	3.9	2.2	0.3	2.4	2.4	1.7
Germany	-4.9	2.5	3.9	2.0	0.4	3.1	2.4	1.7
France	-8.0	6.1	3.9	1.8	0.5	2.0	2.3	2.0
Italy	-9.0	6.1	4.8	1.9	-0.1	1.8	2.3	1.7
Spain	-10.8	5.2	5.9	2.8	-0.3	2.6	2.4	1.7

Source: Amundi Research

- **United States:** we expect growth to pick up in Q4, after decelerating in Q3, as Delta cases recede. High-frequency indicators point to a resumption in mobility and activity, boding well for the holiday season. Inflation is posed to increase further in Q4, driven by accelerating rents, higher energy costs, supply-side issues amid strong demand. We recently revised our inflation outlook upward while shaving a few basis points from growth. Fiscal policy remains pivotal to the outlook, representing an upside risk, should a full-scale Biden infrastructure plan be approved (currently not our base case).
- **Eurozone:** after an earlier than expected pickup in activity in Q2 across several member states, we expect the recovery to continue, yet with a decelerating growth pace, in line with the latest high-frequency and survey data. This moderation will occur alongside continued upward pricing pressures, reflecting near-term supply-side issues compounded by the energy crisis. For the moment, we do not envisage second-round effects on inflation (wage negotiations). Thus, while we are revising our inflation projections for 2021 upward, we still expect inflation to moderate progressively into next year.
- **Japan:** Fumio Kishida took office as Japan's new prime minister, setting up the prospect of a continuation in supportive monetary and fiscal policies. At home, Japan has begun to lift its state of emergency gradually since September, as the full vaccination rate climbed to over 70%, paving the way for a recovery in private consumption. But we maintain our view of soft inflationary pressures in 2021, expecting limited pass-through from surging energy prices. Inflation will increase at a faster pace in 2022, as transitory factors (mobile phone fee changes, rebasing) fade out.
- **United Kingdom:** the UK economy expanded strongly in 2Q. During 3Q, the economy likely benefitted from the further removal of restrictions, although the boost from the final stages of lockdown easing is not likely to lead to a repeat of the April and May performance. The recovery is indeed posed to lose some steam, as high-frequency data point to weakening momentum. Supply-side issues, the energy crisis and signs of wage increases have made us revise up our inflation projections for Q4 2021 and also for 2022, although we still expect inflation to moderate towards the target late next year.

Key interest rate outlook

	28-10 2021	Amundi +6M	Consensus +6M	Amundi +12M	Consensus +12M
US	0.13	0/0.25	0.19	0/0.25	0.49
Eurozone	-0.50	-0.50	-0.48	-0.50	-0.40
Japan	-0.04	-0.1	-0.03	-0.1	-0.02
UK	0.10	0.5	0.77	0.75	1.10

Source: Amundi Research

- **Fed:** the reduction in asset purchases should begin as early as November, with a view to ending the programme by mid-2022. The Fed is expected to cut its purchases by \$15 billion per month until June. Treasury purchases should decrease by \$10bn each month from the current level of \$80bn per month. MBS purchases should decrease by \$5bn per month from \$40bn per month currently. Inflation forecasts have been revised upwards, with the core PCE now expected at 2.3% in 2022 and 2.2% in 2023. Inflation is likely to be the decisive factor in the timing of the first rate hike and the pace of subsequent hikes. If core inflation continues to surprise on the upside in 2022, the first rate hike could take place in Q4 2022.
- **ECB:** we expect the ECB to continue the PEPP at the current pace of close to €70bn per month until the year-end and to use the residual envelope in Q1, or to taper it over H1 in order to smooth out the monthly purchases. In December, the ECB will announce its stimulus strategy for 2022, and we expect it to maintain a somewhat dovish stance, with a stable outlook for rates and a steady pace of asset purchases by historical standards, calibrating its QE with a view to absorbing the bulk of net issuance, as it has done over the last two years.
- **BoJ:** as widely expected, the BoJ left its policies unchanged at its October meeting. In its new Quarterly Outlook Report, the central bank downgraded its FY2021 GDP growth forecast slightly given the delay in the anticipated consumption recovery due to Covid-19 complications. Core CPI inflation was also downgraded sharply due to the one-off base revision. As the full vaccination rate climbs to over 70%, we expect consumer demand and inflation to strengthen gradually. However, the core reading is likely to stay below the BoJ's 2% target in 2022-23, delaying policy normalisation.
- **BoE:** following a surprisingly hawkish rate forward guidance at its last meeting, the recent communication from the BoE intensified the message on the need to act soon, mainly to keep inflation expectations anchored. We now expect the MPC to raise the bank rate earlier than previously thought, and see it delivering a 15bps hike by year-end (with a close call between November and December), followed by another 25bps hike at the February meeting. A further 25bps increase could follow at the August 2022 MPC meeting, depending on future macro trends.

Monetary policy agenda

Central banks	Next meeting
Federal Reserve FOMC	November 3
Bank of England MPC	November 4
ECB Governing Council	December 16
Bank of Japan MPM	December 17

Source: Amundi Research

EMERGING COUNTRIES

Macroeconomic outlook

		Data as of 28/10/2021							
Annual averages (%)	Real GDP growth %				Inflation (CPI, yoy, %)				
	2020	2021	2022	2023	2020	2021	2022	2023	
World	-3.3	5.8	3.9	3.4	2.6	3.7	3.9	3.3	
Emerging countries	-2.0	6.4	4.3	4.3	3.9	4.2	4.7	4.1	
China	2.3	7.7	4.7	4.8	2.5	0.8	2.1	1.8	
Brazil	-4.1	5.1	0.7	1.5	3.2	8.2	7.5	5.3	
Mexico	-8.3	6.0	2.7	2.0	3.4	5.6	4.8	3.8	
Russia	-3.1	4.2	2.6	2.5	3.4	6.5	5.6	4.2	
India	-7.1	8.2	6.3	6.4	6.6	5.0	5.9	5.6	
Indonesia	-2.0	3.5	4.7	5.1	2.0	1.6	2.9	2.8	
South Africa	-6.9	4.6	2.7	2.3	3.2	4.5	4.8	4.8	
Turkey	1.6	7.8	4.4	4.0	12.3	17.7	14.9	11.3	

Source: Amundi Research

- **China:** we expect China's GDP to grow 7.7% and 4.7% in 2021 and 2022 respectively, down from 8.3% and 4.9% a month ago. Despite the relaxation of social distancing rules, a confluence of factors continues to weigh on economic recovery, including the housing slowdown and the NDRC's energy use control. Services consumption and infrastructure investments are likely to bounce back, cancelling out part of the slowdown. Inflation-wise, higher PPI data are likely given the prevailing supply constraints. The CPI should remain subdued with a bumpy consumption recovery.
- **Brazil:** While the Covid situation is looking fairly solid and the economy as a whole has returned to pre-Covid levels, the cyclical macro dynamics are looking far more challenging. Economic activity is facing multiple headwinds, including high inflation, rising rates, and high levels of political and fiscal uncertainty. Inflationary pressures are not abating, with rising global energy prices and weaker FX playing a big role, landing policy rate in double digits. The administration meanwhile is responding to increasing social demands (driven by high inflation) with additional spending now outside the spending cap according to the latest proposal. The markets in turn are reacting harshly to the news, adding momentum to the vicious cycle dynamic.
- **Turkey:** in the opposite direction of most EM central banks, the CBRT has cut its Reference Rate from 18% to 16%. While a rate easing was expected by the market due to the recent changes in the Monetary Policy Committee, the increase by the CBRT was double what was estimated (-200bps vs -100bps expected). At this point in time, Turkey is experiencing the same pressure on inflation (19.6% YoY in September) that would have normally triggered a tighter monetary policy stance. The cut by 200bps was in line with our Q4 21 expectation and the door is now open for further, and likely earlier, easing (above our forecast of 100bps) in 2022.
- **CEE-3:** growth in the region is expected to remain at around 4% or higher in 2021-22. Momentum has been decelerating in H2-21 due to prolonged supply chain shortages, a delay in EU fund disbursements and virus-related uncertainties. Over the month, the hiking cycle has continued (HNB 15bp, CNB 75bp), or started (NBP: 40bp) due to inflationary pressures from both supply (e.g. energy) and demand (recovery and tight labour market). Inflation is expected to be above target until end-H1-21. We expect further hiking next year due to continued inflationary pressures and strong growth fuelled by continuing fiscal support.

Key interest rate outlook

	28-10 2021	Amundi +6M	Consensus +6M	Amundi +12M	Consensus +12M
China	3.85	3.85	3.85	3.85	3.85
India	4.00	4.25	4.15	4.75	4.45
Brazil	7.75	10.75	8.9	10.75	8.90
Russia	7.50	8.00	6.80	7.50	6.15

Source: Amundi Research

- **PBoC (China):** the PBoC has hinted that it will simply roll over MLF by the same amount, instead of cutting RRR ahead of the Q4 MLF maturity deadline. We are removing our call that there will be an additional 50bp RRR cut in October, and maintain our view that there will be no policy rate cut. A targeted re-lending programme for carbon neutrality projects or SME at preferential rates is more likely at this stage. Marginal changes in housing policies are also underway. The PBoC urged banks to correct their over-execution of macro-prudential policies. The delayed loan disbursement to developers and prolonged mortgage approvals are likely to ease.
- **RBI (India):** during its Monetary Policy Committee meeting in October, the RBI kept its Policy Rates on hold at 4.0%, left the asymmetric corridor with the Reverse Repo Rate at 3.35% and also maintained its dovish policy stance. The only change announced was the end of Quantitative Easing from October 21 (G-SAP), due to adequate fiscal room over the fiscal year. The normalisation process should start soon (December 21) with the Reverse Repo rate increasing to 3.75% (+40bps) followed by Policy Rates being tightened from April 2022. In 2022, inflation should fluctuate around the RBI upper range.
- **BCB (Brazil):** the BCB hiked rates by 150bps (to 7.75%) in October and pre-announced another hike of similar magnitude at the next meeting in December. In addition, the CB tightened its forward guidance stating that policy rates needed to rise "even further" into contractionary territory as a response to rising fiscal concerns - the administration announced that the spending cap, the ultimate fiscal anchor, would be breached/tweaked to create fiscal room needed to alleviate pressing social demands - and additional upside risks to inflation. We see the BCB taking SELIC into double digits in the new year and a terminal rate around 11%, highest in nearly five years.
- **CBR (Russia):** on October 22nd, the Central Bank of Russia hiked its policy rate by 75bps to 7.5% - a larger hike than expected by the market. The CBR mentioned faster growth in domestic demand than in supply capacity, leading to increasing inflationary expectations. The CBR left the door open for further hikes. Household inflation expectations reached a new five-year high in October, while business price expectations are also close to multi-year highs. The CBR expects year-end inflation to be in the 7.4-7.9% range, higher than its previous forecasts, and a decline to 4-4.5% by the end of 2022.

Monetary policy agenda

Central banks	Next communication
PBoC	November 22
RBI	December 8
BCB Brazil	December 8
CBR	December 17

Source: Amundi Research

MACRO AND MARKET FORECASTS

Macroeconomic forecasts

(28 October 2021)

Annual averages (%)	Real GDP growth %				Inflation (CPI, yoy, %)			
	2020	2021	2022	2023	2020	2021	2022	2023
US	-3.4	5.7	3.3	2.1	1.3	4.4	3.7	2.8
Japan	-4.9	2.4	2.6	0.9	0.3	-0.4	0.6	0.6
Eurozone	-6.5	4.9	3.9	2.2	0.3	2.4	2.4	1.7
Germany	-4.9	2.5	3.9	2.0	0.4	3.1	2.4	1.7
France	-8.0	6.1	3.9	1.8	0.5	2.0	2.3	2.0
Italy	-9.0	6.1	4.8	1.9	-0.1	1.8	2.3	1.7
Spain	-10.8	5.2	5.9	2.8	-0.3	2.6	2.4	1.7
UK	-9.7	6.9	4.6	2.4	0.9	2.4	3.7	2.5
China	2.3	7.7	4.7	4.8	2.5	0.8	2.1	1.8
Brazil	-4.1	5.1	0.7	1.5	3.2	8.2	7.5	5.3
Mexico	-8.3	6.0	2.7	2.0	3.4	5.6	4.8	3.8
Russia	-3.1	4.2	2.6	2.5	3.4	6.5	5.6	4.2
India	-7.1	8.2	6.3	6.4	6.6	5.0	5.9	5.6
Indonesia	-2.0	3.5	4.7	5.1	2.0	1.6	2.9	2.8
South Africa	-6.9	4.6	2.7	2.3	3.2	4.5	4.8	4.8
Turkey	1.6	7.8	4.4	4.0	12.3	17.7	14.9	11.3
Developed countries	-5.1	5.0	3.5	2.0	0.8	2.9	2.8	2.1
Emerging countries	-2.0	6.4	4.3	4.3	3.9	4.2	4.7	4.1
World	-3.3	5.8	3.9	3.4	2.6	3.7	3.9	3.3

Key interest rate outlook

Developed countries

	28/10/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
US	0.13	0/0.25	0.19	0/0.25	0.49
Eurozone	-0.50	-0.50	-0.48	-0.50	-0.40
Japan	-0.04	-0.1	-0.03	-0.1	-0.02
UK	0.10	0.5	0.77	0.75	1.10

Emerging countries

	28/10/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.85	3.85	3.85	3.85	3.85
India	4.00	4.25	4.15	4.75	4.45
Brazil	7.75	10.75	8.9	10.75	8.90
Russia	7.50	8.00	6.80	7.50	6.15

Long rate outlook

2Y. Bond yield

	22/10/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	0.48	0.45/0.60	0.82	0.7/0.9	1.12
Germany	-0.64	-0.70/-0.50	-0.59	-0.70/-0.50	-0.55
Japan	-0.10	-0.20/-0.10	-0.12	-0.20/-0.10	-0.10
UK	0.68	0.50/0.70	0.83	0.7/0.8	0.84

10Y. Bond yield

	22/10/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	1.66	1.6/1.8	1.80	1.8/2.0	1.93
Germany	-0.10	-0.3/-0.1	-0.03	-0.3/-0.1	0.03
Japan	0.10	0/0.20	0.13	0/0.20	0.18
UK	1.17	1.0/1.2	1.27	1.2/1.4	1.32

Currency outlook

	22/10/2021	Amundi Q2 2022	Consensus Q2 2022	Amundi Q4 2022	Consensus Q4 2022		22/10/2021	Amundi Q2 2022	Consensus Q2 2022	Amundi Q4 2022	Consensus Q4 2022
EUR/USD	1.16	1.14	1.17	1.14	1.18	EUR/SEK	9.98	10.11	10.00	9.88	9.80
USD/JPY	114	113	112	116	112	USD/CAD	1.24	1.27	1.24	1.21	1.22
EUR/GBP	0.85	0.85	0.85	0.83	0.85	AUD/USD	0.75	0.73	0.75	0.77	0.76
EUR/CHF	1.07	1.07	1.10	1.08	1.12	NZD/USD	0.72	0.70	0.72	0.71	0.73
EUR/NOK	9.73	9.91	9.90	9.21	9.73	USD/CNY	6.39	6.45	6.50	6.50	6.40

The uncertainty around the macro forecasts is very high, and it triggers frequent reassessments any time fresh high frequency data are available. Our macroeconomic forecasts at this point include a higher qualitative component, reducing the statistical accuracy and increasing the uncertainty through wider ranges around them. Source: Amundi Research

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